



MEMORANDUM

DATE: October 2, 2003

TO: IPERS Interim Committee

FROM: Iowa Hospital Association

SUBJECT: Public Hospital IPERS Issues

National demographic changes and evolving career opportunities for traditional nursing employment pools have combined to create a severe health care worker shortage across the country, particularly in highly rural states like Iowa. The aging of Iowa's population – and the current health care work force – will contribute to an even greater demand for health care professionals in the near future, and will also be reflected in a shrinking pool of educators equipped to adequately train new nurses. Iowa hospitals currently have approximately 2,000 vacancies for in-demand health care professions across the state. More than half of the open positions are for registered nurses. Hospital projections demonstrate that the number of hospital vacancies for in-demand professions will quadruple during the next three years.

Within this environment, Iowa's public hospitals face unique challenges. Approximately one-half of all hospitals are publicly (city, county, state) owned; the other half are private not-for-profit facilities. Employees in Iowa's public hospitals are covered by the Iowa Public Employee Retirement System (IPERS) for retirement benefits. Often, IPERS restrictions make employment in the private sector more attractive, creating increased difficulties for public hospitals in employing and retaining quality personnel. Providing flexibility to public hospital employees covered by IPERS is consistent with the statutory purpose of IPERS and improved IPERS flexibility is also consistent with overall IPERS recommendations from the Iowa Department of Personnel. Increased IPERS flexibility for public hospitals would benefit employees and would assist public hospitals in coping with severe health care worker shortages in Iowa.

Needed IPERS changes for public hospitals include:

- **Allowing licensed nurses and other health care professionals covered under IPERS to return to work after one month of retirement, instead of the current four-month waiting period now stipulated.** This would allow IPERS employees to access earned

benefits without leaving public employment, thus helping to maintain a competent labor supply for health career occupations.

Today, when a public hospital employee reaches the point where they qualify for full IPERS retirement benefits, they can quit/retire and work in a private hospital with no IPERS penalty. However, they must wait four months before returning to work in a public hospital. This disadvantages public hospitals in favor of private hospitals when competing for a variety of health care professions that are in critically short supply.

Besides the potential of IPERS retirees leaving the public sector and becoming employed in private not-for-profit hospitals, some IPERS employees are now being hired by temporary nursing agencies (which does not affect IPERS benefits) and being placed BACK into the public hospital they just left. Because temp agency rates are always higher (more expensive) than full time employment hourly salaries, the net effect is that the public hospital ends up paying HIGHER wages for the SAME employee!

There is currently only a one-month waiting period for IPERS employees accessing early benefits; this should be made consistent for employees earning full benefits. **Senate File 318** and **House File 169** addressing this issue both passed their respective State Government Committees in 2003. While IPERS staff expressed reservations in 2003 about potential cost to the IPERS fund of making this move, they have been unable to **quantify** any dollar loss for IPERS to date.

This legislation is needed to address important infrastructure manpower shortages for public hospitals *today*. Public hospital employees are less than 5 percent of the total IPERS pool, meaning that public hospitals make an excellent group to test this shortened retirement period against so that IPERS can quantify the effects of a shorter retirement waiting period, if in fact there are any detrimental consequences (the IHA position is that there are none).

IPERS has also suggested that *temporary* employment status be used to bridge this gap for public hospital employees. This isn't feasible for several reasons, as detailed on the attached memorandum.

- **Allowing hospital employees to select an alternate retirement system other than IPERS, as specified in House File 398 introduced in 2003.** The concept of selecting an alternate retirement plan should be expanded to all county and municipal hospitals, allowing the elected boards of those organizations to offer several options from the broad array of plans available in the marketplace. Allowing public hospital employees to opt

out of IPERS creates more attractive recruitment options for health care professionals and potentially affects only three percent of the current IPERS membership. This option is already available to a certain group of IPERS professionals that include (but are not limited to) community college personnel, city administrators, and some public safety personnel.

- **The IPERS Interim Committee should also take great caution in addressing IPERS' assertion that increased employer and employee contributions are needed to safeguard the future of the fund.** IPERS investments should be managed conservatively and should account for economic fluctuations such as those experienced in the recent past. Asking public hospital employers to contribute more to the IPERS fund to account for investment shortfalls places additional financial burdens upon those institutions. Many public hospitals are already burdened by inadequate Medicare and Medicaid payment levels. Increased costs make it more difficult for public hospitals to compete with the private sector for qualified personnel. Please remember that Iowa's hospital environment has a unique blend of public and private institutions, making a "level playing field" between those facilities essential for dealing with health manpower shortages in the public sector.

Thank you for your consideration of these issues.



IOWA HOSPITAL ASSOCIATION RESPONSE TO THE USE OF TEMPORARY EMPLOYMENT IN ADDRESSING IPERS RETIREMENT WAITING PERIOD (HF 169/SF 318)

The Iowa Hospital Association (IHA) appreciates the ongoing dialog regarding IPERS considerations for public hospitals, but strongly opposes assertions by IPERS staff that the use of temporary employees alleviates the concerns of public hospital employers.

Regarding a shortened IPERS retirement waiting period as contemplated in HF 169 and SF 318, IHA has had the opportunity to receive input from several public hospitals regarding the use of temporary employment until reaching the four-month waiting period. As envisioned, this concept has already been evaluated by public hospitals and has not been pursued for several reasons, including:

- * Generally speaking, temporary employees in public hospitals are not provided the same overall benefit package as permanent employees. This often includes health insurance, vacation accruals, and other benefit options separate from the IPERS concerns. Because hospitals are large employers and do use temporary employees, revising benefit plans to include such provisions for temporary employees is costly and impractical. For that reason, treating IPERS retirees as temporary employees does not provide sufficient benefits to attract/retain those individual in some capacity in the public sector.

- * In some cases public hospitals have unionized nurse units that would most likely oppose restructuring benefit packages for temporary employees.

- * In at least one instance, a hospital reported that it solicited IPERS perspective on this very issue and was told that if the hospital pursued such a course of action that IPERS would oppose the temporary employee designation and would actively investigate the hospital for any potential other IPERS concerns. In fact, in IPERS own correspondence to Senators and Representatives interested in this issue, they indicate this situation is not allowable if agreed to in advance.

- * IPERS employees are generally knowledgeable about the IPERS system and the potential penalties that can be imposed for failure to comply with IPERS guidelines. There is concern that the employees themselves would be reluctant to enter into temporary designations for fear of putting IPERS benefits at risk.

Because of the dramatic and immediate shortages of health care personnel facing Iowa hospitals, IHA urges the Iowa General Assembly to support HF 169 and SF 318 in an effort to move this issue forward to resolution for the state's public hospitals.